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SUBJECT: IRAQ BUDGET EXECUTION TO IMPROVE WITH NEW ACCOUNTING
MANUAL

¶1. Summary: The GOI will soon release a new accounting manual that will establish uniform accounting practices at all levels of public administration. The manual is the work of experienced Iraqi civil servants, supported by U.S. Treasury advisors and experts from the UK and World Bank. Making official accounting practices become more uniform and transparent will reinforce other reforms undertaken by the GOI. End summary.

¶2. A team of 13 senior GOI civil servants completed the accounting manual during a workshop held in Amman, Jordan, from November 4 through 14. Advisors from the U.S. Treasury Department's Office of Technical Assistance (OTA) facilitated the workshop, with additional support from the UK and the World Bank. The 200-page manual will be published in both Arabic and English once it is formally approved by the Minister of Finance. Ministry officials expect that to happen by the end of this year.

¶3. The results of the workshop are the culmination of nearly a year of preparatory work by GOI officials located across Iraq. Those present at the workshop represented the Ministries of Finance and Education, the Council of Ministers, the Board of Supreme Audit, and the finance ministry of the Kurdish Regional Government. The manual records largely undocumented accounting practices understood by only the most experienced Iraqi civil servants. Just three of the Ministry of Finance officials attending the workshop had combined work experience of over 120 years.

¶4. Once the manual is widely available, it will be possible for the GOI to follow uniform accounting practices at all levels of government. While it could take up to five years to achieve that goal, completion of the manual was an essential first step. "You can't have budget execution without this," said one of the OTA advisors at the workshop.

¶5. In 2006, as one of the reforms required under Iraq's program with the International Monetary Fund, the Ministry of Finance established a new accounting classification to guide GOI record-keeping. But the GOI was not able to apply the new chart of accounts consistently across all ministries or at all levels of government. The resulting inconsistencies added unnecessary friction to the budget process, made it difficult to measure the results of GOI spending, and impeded budget execution.

¶6. The spread of uniform government accounting standards should reinforce other reforms the GOI is undertaking. In addition to more efficient execution of budgets, the process of preparing budgets will become simpler. Consistent classification and coding of expenditure will also increase transparency, improve the quality of audits, and help to curb corruption.

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